

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

INVESTMENT COMMITTEE

February 17, 2009

Chief Investment Officer's

Consolidated Investment Activity Report

(December 2008 Reporting Period)

CalPERS Asset Allocation – December 31, 2008

General Market Commentary

Rebounding from 2008 lows, global equity markets posted solid gains in December with nearly every major index posting a positive return for the month. The US Federal Reserve cut the Fed Funds rate to a range of 0.00% - 0.25%, marking the tenth time it has cut rates in the last 15 months. The Bank of England cut rates 150 bps to 1.50%, while the European Central bank dropped their key rates 75 bps to 2.50%. Crude oil prices continued to fall from July's record high of \$146 per barrel, ending the month under \$45 per barrel.

Domestic and International Equities

The S&P 500 returned 1.06% for the month and -37.00% for 2008. Small-cap stocks, as measured by the Russell 2000 Index, were up 5.80%. Large-cap growth and value stocks saw similar increases in December with growth stocks returning 1.81% versus value's return of 1.39% (as measured by the Russell 1000 Growth and Value). International equities advanced in December, with the MSCI EAFE up 6.02% in dollar terms (up 1.23% in local currency). Emerging markets rose 7.83% (as measured by the MSCI EM Index) during the month.

Domestic and International Fixed Income

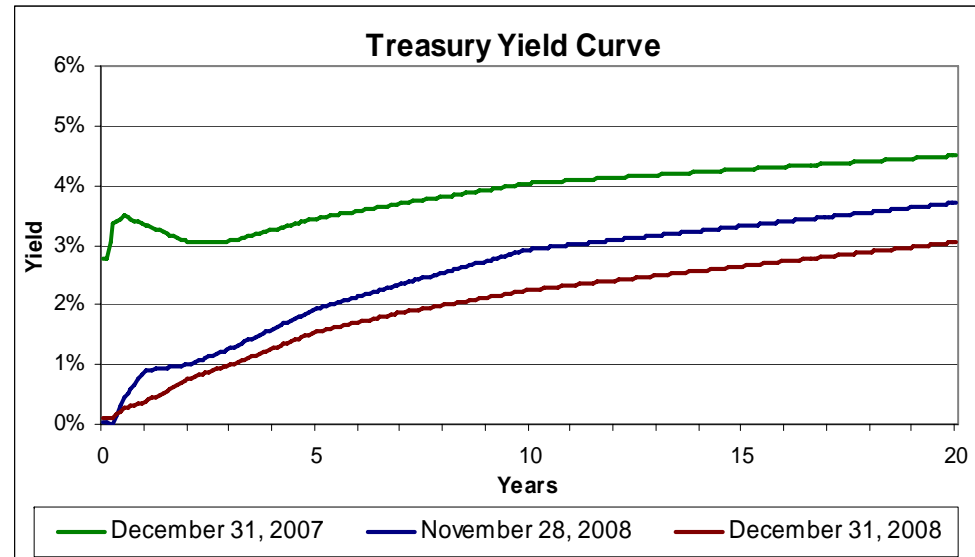
The Barclays Capital Aggregate Bond Index returned 3.73% for December, outperforming the US Treasury return of 1.97% (as measured by BC Treasury Intermediate Term Index). The BC Treasury Long Term Index returned 9.23% as yields on 30-year Treasury bonds fell below 3.00%. US TIPS were up 4.96% (BC US TIPS Index) during December. The high yield bond market returned 7.47% during the month, as measured by the Merrill Lynch High Yield Master II Index. International fixed income markets returned 8.13%, as measured by the Citigroup World Government Bond Index ex US (unhedged).

Real Estate

Real estate (as measured by the MSCI US REIT Index) was positive for the month, up 17.57% in December. The NCREIF Index of Real Estate Properties returned a negative -0.17% for the quarter ended September 2008.

Private Equity and Absolute Return Strategies

The Venture Economics All Private Equity Index returned -0.53% for the 12 months ended September 2008 and 13.68% for the 10 years ended September 2008. Absolute Return Strategies (CSFB/Tremont Hedge Fund Index) returned -0.03% in December and -19.07% for the 12 months ended December 2008.



MARKET INDICATORS	12/31/2007	Direction	11/28/2008	Direction	12/31/2008
1m LIBOR (fixed in \$)	4.60%	▼	1.90%	▼	0.44%
Federal Funds	4.25%	▼	1.00%	▼	0.00% - 0.25%
10Y Treasury Note Yield	4.03%	▼	2.96%	▼	2.24%
30Y Treasury Bond Yield	4.46%	▼	3.49%	▼	2.69%
DJ-Wilshire 5000 Comp	14,753.62	▼	8,925.96	▲	9,056.67
S&P 500	1,468.36	▼	896.24	▲	903.25
NASDAQ Composite	2,652.28	▼	1,535.57	▲	1,577.03
FTSE 100 Index	6,456.90	▼	4,288.00	▲	4,434.20
Nikkei 225 Index	15,307.78	▼	8,512.27	▲	8,859.56
Yen/\$ (Dollar Strength)	111.710	▼	95.460	▼	90.790
Euro/\$ (Dollar Strength)	0.685	▲	0.788	▼	0.718
GBP/\$ (Dollar Strength)	0.504	▲	0.652	▲	0.684
Crude Oil per Barrel	\$ 95.98	▼	\$ 54.43	▼	\$ 44.60
Gold (\$/oz Daily Spot)	\$ 833.75	▼	\$ 814.50	▲	\$ 869.75
GS Commodities TR Index	7,466.30	▼	4,609.34	▼	3,995.40

Note: Starting with the October 2008 report, the S&P GSCI Total Return Index values are used in this analysis. In previous reporting periods, Price Return Index values were used.

CalPERS Asset Allocation – December 31, 2008

Summary

- Total Fund Market Value was \$183.3 Billion
- Total Fund Book Value was \$197.3 Billion
- As of December 31, 2008 the Global Equity asset class was outside their Strategic Target Policy Range. The CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section VI. B anticipates that in times of extreme market volatility, allocations may temporarily fall outside their ranges.

Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Difference (Market – Book) (\$ Billion)
Domestic Equity ¹	\$37.5	\$40.1	\$2.6
International Equity	\$50.2	\$34.7	\$-15.5
Global Equity	\$87.6	\$74.8	\$-12.8
Domestic Fixed Income	\$38.5	\$40.4	\$1.9
International Fixed Income	\$4.0	\$4.2	\$0.2
Global Fixed Income	\$42.6	\$44.6	\$2.0
AIM	\$27.2	\$24.0	\$-3.1
Real Estate	\$20.1	\$21.1	\$0.9
Inflation Linked	\$4.6	\$3.6	\$-1.0
Cash Equivalents	\$15.1	\$15.2	\$0.1
Total Fund	\$197.3	\$183.3	\$-13.9

¹ Included is MDP Investment - LM Capital Investment: Total Book Value=**\$211.3 million**, Total Market Value=**\$214.6 million**.

* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 12/31/2008

<u>Company Name</u>	Equity Exposure			Total Equity Market Value	Fixed Income Exposure			Total FI Market Value	Real Estate Exposure⁽¹⁾	TOTAL Market Value	% of Total Fund⁽³⁾
	Internally Managed <u>Active</u>	Passive	Externally Managed <u>Active</u>		<u>Internal</u>	<u>External</u>	<u>Sec. Lending⁽²⁾</u>				
EXXON MOBIL CORP	271,970,911	2,082,635,695	410,901,615	2,765,508,221				0		2,765,508,221	1.51%
GENERAL ELECTRIC	110,808,032	811,481,976	151,415,568	1,073,705,576	546,499,706	12,721,253	389,470,370	948,691,329		2,022,396,905	0.89%
AT&T INC	112,208,205	841,911,660	204,599,505	1,158,719,370	324,651,595	8,850,341		333,501,936		1,492,221,306	0.81%
BANK OF AMERICA CORP	54,713,106	356,651,610	100,864,108	512,228,824	779,496,999	37,628,205		817,125,204		1,329,354,028	0.73%
JPMORGAN CHASE & CO	82,635,148	584,251,806	178,422,645	845,309,599	344,145,477	45,560,524		389,706,001	42,279,000	1,277,294,600	0.70%
WAL MART STORES INC	120,087,920	694,141,087	214,744,404	1,028,973,411	170,712,190			170,712,190		1,199,685,601	0.65%
PROCTER + GAMBLE CO	109,471,598	891,915,345	169,532,695	1,170,919,638				0		1,170,919,638	0.64%
WELLS FARGO & COMPANY	66,483,945	510,001,347	112,629,814	689,115,106	418,335,735	25,027,231		443,362,966		1,132,478,072	0.62%
JOHNSON + JOHNSON	99,358,604	846,389,881	153,875,820	1,099,624,305				0		1,099,624,305	0.60%
CHEVRONTEXACO CORP	106,906,770	767,631,072	215,878,042	1,090,415,884				0		1,090,415,884	0.59%
MICROSOFT CORP	98,967,757	796,963,795	182,224,799	1,078,156,351				0		1,078,156,351	0.59%
VERIZON COMMUNICATION	75,523,505	491,181,507	92,375,330	659,080,342	330,877,404	7,751,689		338,629,093		997,709,435	0.54%
CITIGROUP INC	27,321,590	183,145,089	47,648,354	258,115,033	413,651,479	34,832,404	256,666,960	705,150,843		963,265,876	0.39%
BERKSHIRE HATHAWAY	44,074,540	574,190,400	11,676,228	629,941,168	314,622,652			314,622,652		944,563,820	0.52%
ROYAL DUTCH SHELL	0	672,873,738	251,204,183	924,077,921				0		924,077,921	0.50%
HOME DEPOT INC.	355,579,121	186,754,354	249,735,904	792,069,379	66,591,830			66,591,830		858,661,209	0.47%
NESTLE SA	0	647,684,346	163,804,294	811,488,640				0		811,488,640	0.44%
PFIZER INC.	77,321,612	597,682,039	130,103,469	805,107,120				0		805,107,120	0.44%
INTERNATIONAL BUSINESS MACHINES	65,892,062	562,457,270	131,209,648	759,558,980	403,446	3,023,984		3,427,430		762,986,410	0.42%
ENI	223,386,466	268,975,683	232,867,777	725,229,926				0		725,229,926	0.40%

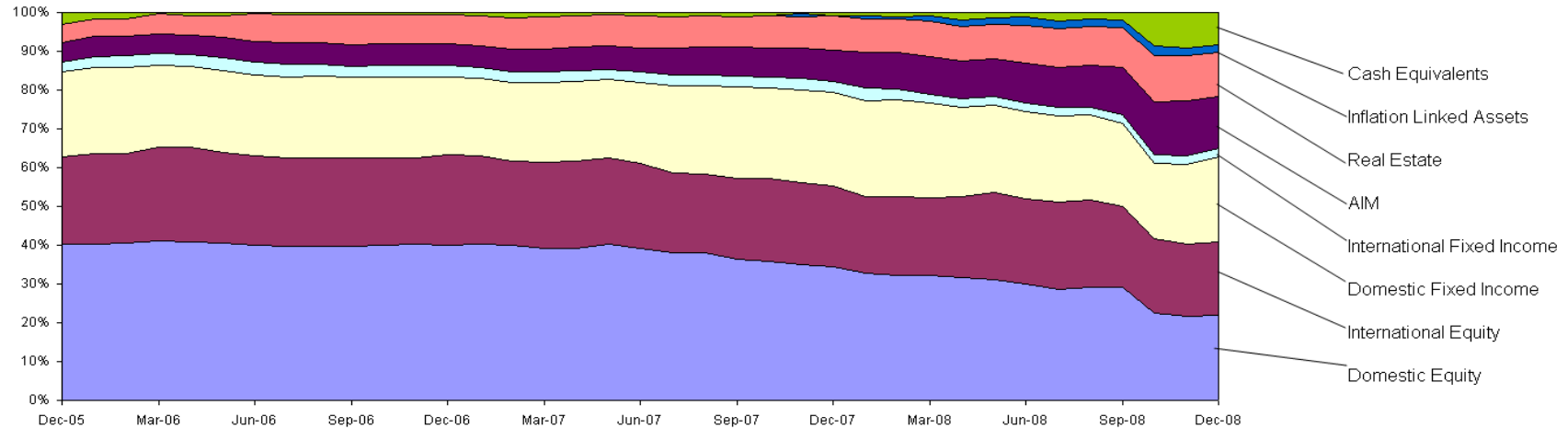
(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

(2) Does not include Repos

CalPERS

Asset Allocation as of December 31, 2008

Total Fund Market Value: **\$183,322,958,798**



	Global Equity	Domestic Equity	International Equity	Global Fixed	Domestic Fixed	International Fixed	AIM	Real Estate	Inflation Linked	Cash Equivalents ^{2,3}	Total Fund
Strategic Target Range %	41-71%			4-34%			2-18%	5-15%	0-5%	0-10%	
Strategic Target %	56.0%	28.0%	28.0%	19.0%	17.0%	2.0%	10.0%	10.0%	5.0%	0.0%	N/A
Actual Investment %	40.8%	21.9%	18.9%	24.3%	22.0%	2.3%	13.1%	11.5%	2.0%	8.3%	N/A
Variance % (Strategic vs. Actual)	(15.2%)	(6.1%)	(9.1%)	5.3%	5.0%	0.3%	3.1%	1.5%	(3.0%)	8.3%	N/A
Strategic Target \$ ¹	\$102.7	\$51.3	\$51.3	\$34.8	\$31.2	\$3.7	\$18.3	\$18.3	\$9.2	\$0.0	\$183.3
Actual Investment \$ ¹	\$74.8	\$40.1	\$34.7	\$44.6	\$40.4	\$4.2	\$24.0	\$21.1	\$3.6	\$15.2	\$183.3
Variance \$(Strategic vs. Actual)¹	(\$27.8)	(\$11.2)	(\$16.6)	\$9.8	\$9.2	\$0.5	\$5.7	\$2.7	(\$5.6)	\$15.2	N/A
% Passive	61.8%	63.6%	59.7%	0.0%	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	25.2%
% Active	38.2%	36.4%	40.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	74.8%
% Internal	70.2%	71.5%	68.8%	88.3%	97.5%	0.0%	0.0%	(0.0%)	52.8%	100.0%	59.5%
% External	29.8%	28.5%	31.2%	11.7%	2.5%	100.0%	100.0%	100.0%	47.2%	0.0%	40.5%

* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.

* When summing amounts on this report, there may be breakage.

* MDP Venture accounts included in MDP's primary asset class. MDP Fixed and CalPERS Hedge Fund roll to External Domestic Equity.

¹ (\$ Billion)

² Approximately \$2.9 Billion notional in Equity Futures were purchased to equitize cash.

³ Includes approximately \$0 Billion in Treasury Bills.

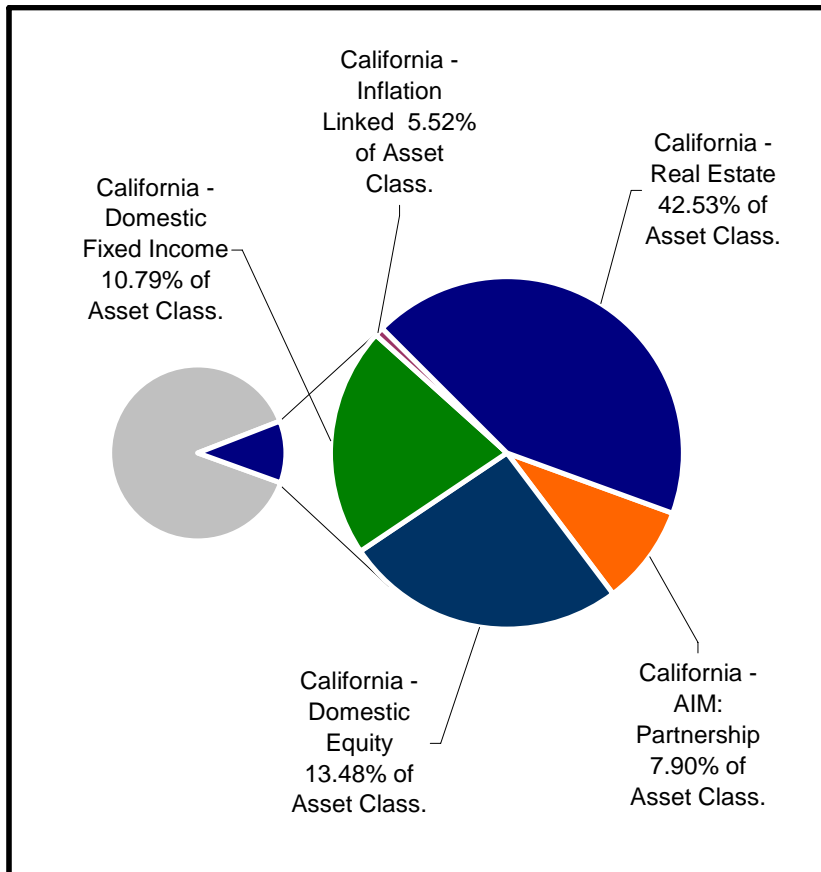
Private Market Commitment as of December 31, 2008									
AIM				Real Estate					
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range		
Fair Market Value (FMV)	\$24.05	13.12%	2-18%	Fair Market Value (FMV)	\$21.06	11.49%	5-15%		
Unfunded Commitment	\$23.90	13.04%		Unfunded Commitment (as of 11/30/08)	\$12.74	6.95%			
Fair Market Value plus Unfunded Commitment	\$47.95	26.15%		Fair Market Value plus Unfunded Commitment	\$33.79	18.43%			
Infrastructure				Forestland					
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range		
Fair Market Value (FMV)	\$12	0.06%	0-3%	Fair Market Value (FMV)	\$2.28	1.25%	0-2%		
Unfunded Commitment (as of 11/30/08)	\$28	0.15%		Unfunded Commitment (as of 11/30/08)	\$1.17	0.09%			
Fair Market Value plus Unfunded Commitment	\$40	0.22%		Fair Market Value plus Unfunded Commitment	\$2.45	1.34%			

CalPERS Investments in the State of California – December 31, 2008

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

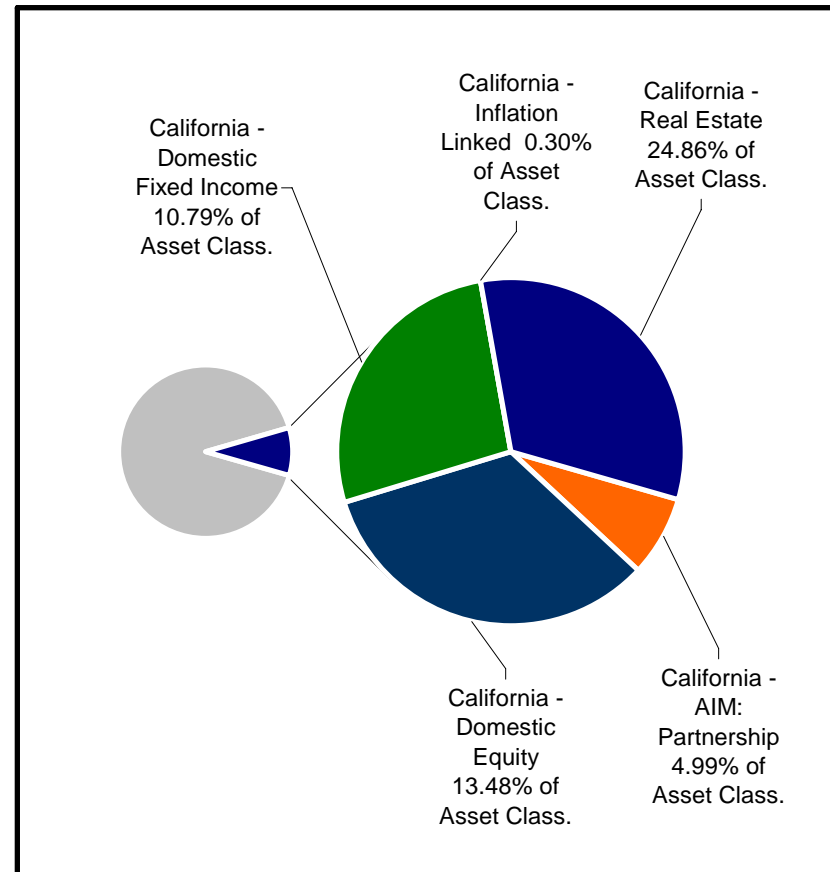
California Investments plus Additional Commitments

Current California Commitments at 12/31/2008 Total Fund %: 11.36%



California Investments

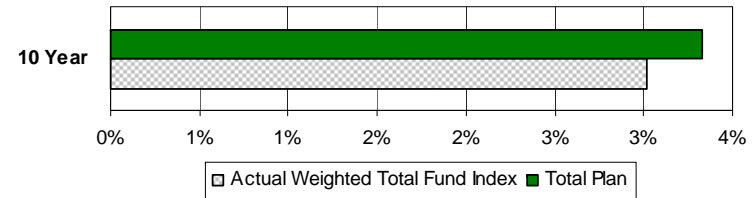
Current California Investments at 12/31/2008 Total Fund %: 8.84%



Performance Summary – December 31, 2008

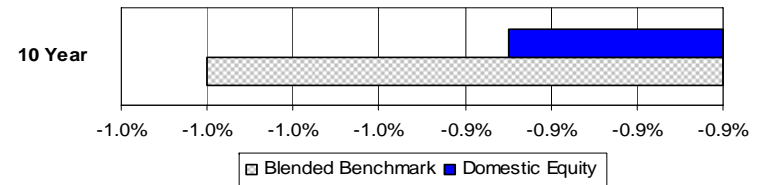
Total Plan:

Net Total Fund returns have underperformed the Actual Weighted Total Fund Index in all time frames except for the five- and ten-year periods. Ten-year net returns were 3.33% versus 3.02% for the actual weighted index.



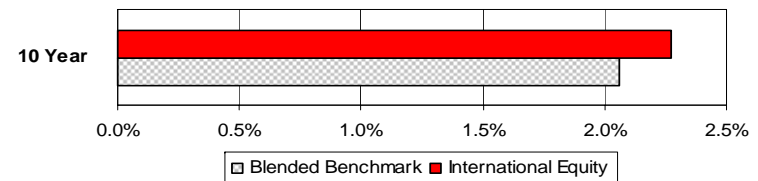
Domestic Equity:

Net Domestic Equity returns have underperformed in all time periods except the ten-year period. Ten-year net returns were -0.93% versus -1.00% for the blended benchmark.



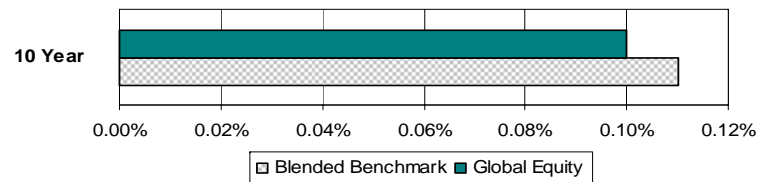
International Equity:

Net International Equity returns have outperformed the Blended Index in all time periods except for the one month and three-year period. Ten-year net returns were 2.27% versus 2.06% for the blended benchmark.



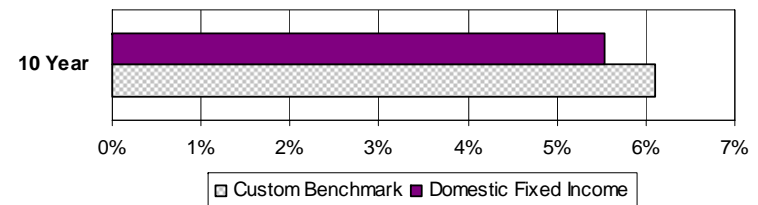
Global Equity:

Net Total Global Equity underperformed its benchmark in all time periods. Ten-year net returns were 0.10% versus the 0.11% blended benchmark return.



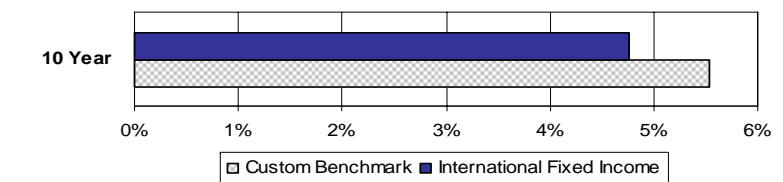
Domestic Fixed Income:

Net Domestic Fixed Income returns have underperformed the benchmark in all time periods except the one-month period. Ten-year net returns were 5.54% versus 6.10% for the benchmark.



International Fixed Income:

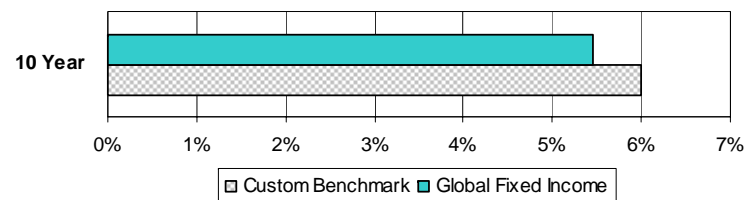
Net International Fixed Income returns have underperformed the benchmark in all time periods except for the one month period. Ten-year net returns were 4.77% versus 5.53% for the benchmark.



Performance Summary – December 31, 2008

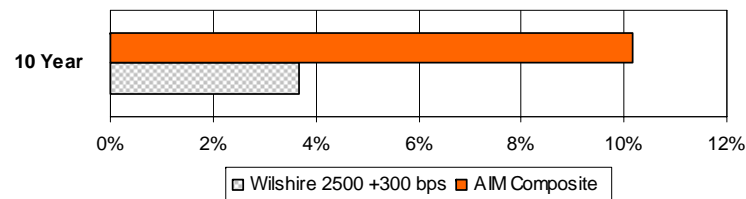
Global Fixed Income:

Net Global Fixed Income returns have underperformed the benchmark in all periods except the one month period. Ten-year net returns were 5.45% versus 5.99% for the benchmark.



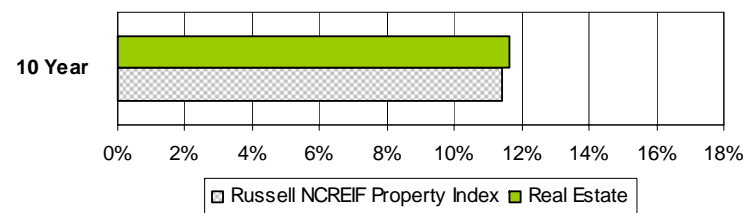
AIM Composite:

Net returns for the AIM Composite portfolio have exceeded the custom blended benchmark in all periods except for the one month period. Ten-year net returns for the AIM Composite were 10.16% exceeding the ten-year custom blended benchmark return of 4.69%.



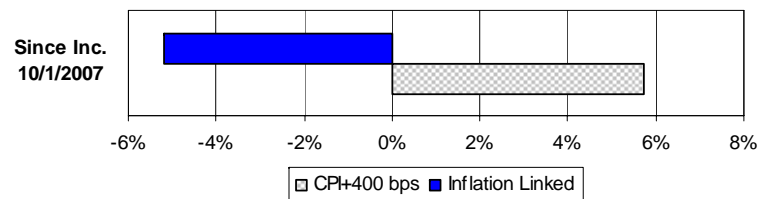
Real Estate:

Net returns for the Total Real Estate Portfolio have underperformed the index in all periods except for the ten-year period. Ten-year net returns were 11.66% versus 11.44% for the benchmark.



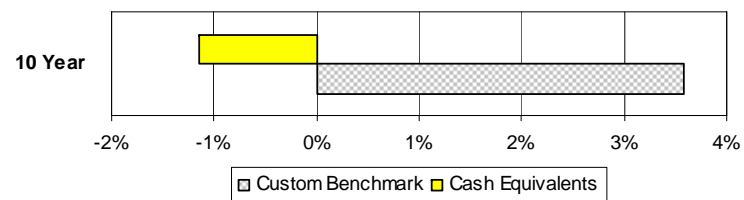
Inflation Linked:

Net returns for the Inflation Linked portfolio have underperformed the benchmark in all time periods except during the one month period. Since inception net returns were -5.18% versus 5.74% for the benchmark.



Cash Equivalents:

Net returns for the Cash Equivalents portfolio have underperformed the benchmark in the all time periods except during the one month period. Ten-year net returns were -1.14% versus 3.59% for the custom benchmark.



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending December 31, 2008

CIO SUMMARY REPORT - GROSS

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
TOTAL DOMESTIC EQUITY	21.9	40,120,328	1.46	-22.17	-29.43	-36.84	-8.31	-1.72	-0.54
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			1.75	-22.87	-29.76	-37.48	-8.46	-1.88	-1.00
TOTAL INTL EQUITY	17.9	32,778,180	5.72	-23.70	-40.48	-46.22	-7.80	2.25	1.97
<i>CALPERS FTSE ALL-WORLD EX US</i>			5.91	-22.28	-39.12	-45.27	-6.65	2.85	2.06
TOTAL GLOBAL EQUITY	39.8	72,898,508	3.33	-22.91	-34.51	-41.31	-8.60	-0.65	0.14
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			4.21	-22.60	-32.92	-40.07	-7.76	-0.25	0.11
TOTAL DOMESTIC FIXED INCOME	22.0	40,398,700	6.68	1.88	-3.39	-3.82	2.78	4.03	5.55
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			6.56	6.18	4.49	5.36	5.38	5.30	6.10
TOTAL INTL FIXED INCOME	2.3	4,198,276	8.85	6.49	0.39	5.89	7.74	5.20	4.85
<i>CALPERS WORLD GOVT X US</i>			8.21	8.58	3.98	9.40	9.18	5.86	5.53
TOTAL GLOBAL FIXED INCOME	24.3	44,597,635	6.89	2.30	-3.03	-2.81	3.31	4.14	5.47
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			6.69	6.37	4.46	5.70	5.80	5.36	5.99
TOTAL AIM COMPOSITE	13.1	24,046,378	-8.27	-12.07	-14.12	-7.97	11.85	15.17	10.17
<i>WILSHIRE 2500 PLUS 300 BPS EX TOBACCO</i>			2.00	-22.25	-28.65	-35.53	-5.39	2.04	3.67
<i>CUSTOM YOUNG FUND</i>			0.69	2.10	4.24	9.00	14.94	15.54	4.69
TOTAL REAL ESTATE	11.5	21,056,096	-2.65	-4.94	-17.67	-17.46	7.08	17.04	14.24
<i>90% NPI+200 BPS/10% FTSE EPRA NAREIT GBL</i>			0.96	-2.98	-3.08	1.63	11.92	13.44	11.44
TOTAL INFLATION LINKED	2.0	3,604,168	0.14	-13.49	-23.40	-10.51			
<i>CPI+400 BPS 1 MONTH LAGGED</i>			-1.52	-1.96	0.09	5.10			
TOTAL CASH EQUIVALENTS	8.2	15,110,616	0.10	0.43	1.06	2.71	4.40	3.61	3.85
<i>PERS CUSTOM STIF NET OF FEES</i>			0.10	0.39	1.03	2.60	4.31	3.46	3.59
TOTAL CASH EQUIV + EQUITIZATION	8.3	15,185,186	0.28	-23.15	-31.68	-36.39	-11.40	-6.10	-1.14
OVERLAY + ASSET ALLOC TRANSITION	1.1	1,934,988							
TOTAL FUND	100.0	183,322,959	1.31	-13.66	-23.02	-26.96	-2.32	3.22	3.52
<i>CALPERS POLICY INDEX</i>			3.22	-12.23	-19.51	-23.49	-1.14	3.44	3.17
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			3.47	-13.22	-21.08	-25.70	-1.95	2.86	3.02

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1); Inflation Linked (SX2CA1)

Cash and Overlay (SJVKA1,SJEKA1,SX1LA1); Total Fund (SJ1CA1)

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending December 31, 2008

CIO SUMMARY REPORT - NET

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
TOTAL DOMESTIC EQUITY	21.9	40,120,328	1.46	-22.19	-29.46	-36.88	-8.37	-1.77	-0.58
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			1.75	-22.87	-29.76	-37.48	-8.46	-1.88	-1.00
TOTAL INTL EQUITY	17.9	32,778,180	5.72	-23.71	-40.50	-46.25	-7.86	2.19	1.92
<i>CALPERS FTSE ALL-WORLD EX US</i>			5.91	-22.28	-39.12	-45.27	-6.65	2.85	2.06
TOTAL GLOBAL EQUITY	39.8	72,898,508	3.32	-22.92	-34.53	-41.35	-8.65	-0.70	0.10
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			4.21	-22.60	-32.92	-40.07	-7.76	-0.25	0.11
TOTAL DOMESTIC FIXED INCOME	22.0	40,398,700	6.68	1.88	-3.39	-3.82	2.78	4.02	5.54
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			6.56	6.18	4.49	5.36	5.38	5.30	6.10
TOTAL INTL FIXED INCOME	2.3	4,198,276	8.78	6.41	0.29	5.74	7.65	5.12	4.77
<i>CALPERS WORLD GOVT X US</i>			8.21	8.58	3.98	9.40	9.18	5.86	5.53
TOTAL GLOBAL FIXED INCOME	24.3	44,597,635	6.88	2.29	-3.04	-2.82	3.29	4.13	5.45
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			6.69	6.37	4.46	5.70	5.80	5.36	5.99
TOTAL AIM COMPOSITE	13.1	24,046,378	-8.27	-12.07	-14.12	-7.97	11.84	15.16	10.16
<i>WILSHIRE 2500 PLUS 300 BPS EX TOBACCO</i>			2.00	-22.25	-28.65	-35.53	-5.39	2.04	3.67
<i>CUSTOM YOUNG FUND</i>			0.69	2.10	4.24	9.00	14.94	15.54	4.69
TOTAL REAL ESTATE	11.5	21,056,096	-2.82	-5.11	-18.06	-18.54	4.40	13.09	11.66
<i>90% NPI+200 BPS/10% FTSE EPRA NAREIT GB</i>			0.96	-2.98	-3.08	1.63	11.92	13.44	11.44
TOTAL INFLATION LINKED	2.0	3,604,168	0.07	-13.55	-23.50	-11.08			
<i>CPI+400 BPS 1 MONTH LAGGED</i>			-1.52	-1.96	0.09	5.10			
TOTAL CASH EQUIVALENTS	8.2	15,110,616	0.10	0.43	1.06	2.71	4.40	3.61	3.85
<i>PERS CUSTOM STIF NET OF FEES</i>			0.10	0.39	1.03	2.60	4.31	3.46	3.59
TOTAL CASH EQUIV + EQUITIZATION	8.3	15,185,186	0.28	-23.15	-31.68	-36.39	-11.40	-6.10	-1.14
OVERLAY + ASSET ALLOC TRANSITION	1.1	1,934,988							
TOTAL FUND	100.0	183,322,959	1.28	-13.69	-23.07	-27.08	-2.54	2.96	3.32
<i>CALPERS POLICY INDEX</i>			3.22	-12.23	-19.51	-23.49	-1.14	3.44	3.17
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			3.47	-13.20	-21.07	-25.68	-1.94	2.87	3.02

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1); Inflation Linked (SX2CA1)

Cash and Overlay (SJVKA1,SJEKA1,SX1LA1); Total Fund (SJ1CA1)

Operations/Policy Violations /Activity Reports

Closed Session Transactions

- There was one (1) closed session transaction reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

Investment Policy Violations

- According to policy requirements, the following is a summary of investment policy violations extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and full reports are available in the Supplemental Reporting Document.

Global Equity

Report Containing Violation	Violation Description
No items to report	

Fixed Income

Report Containing Violation	Violation Description
Low Duration Fixed Income Funds	As previously noted in the Q3 2008 report, S&P downgraded CWL 2006-S5 A1 to a "BB" from a "BBB". The downgrade was due primarily to its monoline insurer, FGIC, being downgraded. This triggered violation of the following issue: "Structured Securities must be \geq Baa2/BBB. Staff reviewed the security and recommended holding the bond.

Real Estate

Report Containing Violation	Violation Description
Quarterly Performance Report (Quarter End September 30, 2008)	The Core Real Estate exposure in the Midwest region exceeded its target range by 8.0%. Additionally, Core Real Estate exposure in the South Region fell below its target range by 5.6%.

AIM

Report Containing Violation	Violation Description
No items to report	

Inflation Linked Assets

Report Containing Violation	Violation Description
No items to report	

Cash Equivalents

Report Containing Violation	Violation Description
No items to report	

Supplemental Income Plans

Report Containing Violation	Violation Description
No items to report	

Operations/Policy Violations /Activity Reports

Activity Reports

- Staff prepares activity reports for the AIM, Real Estate, Risk Managed Absolute Return Strategies, Corporate Governance and Inflation Linked Asset Class Programs. Detailed reports and investment summaries for these programs are included in the supplemental reporting document.

AIM Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	38	316	300	442	359	7,220
Declined/Referred/Failed to Materialize	25	429	268	388	341	5,901
Deals in Screening	29	319	300	442	359	4,253
Due Diligence Reviews	9	59	61	75	28	763

Real Estate Investments Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception *
Investment Proposals Entered	7	N/A	N/A	N/A	138	138
Declined/Referred/Failed to Materialize	0	N/A	N/A	N/A	120	120
Deals in Screening	14	N/A	N/A	N/A	24	24
Due Diligence Reviews	0	N/A	N/A	N/A	3	3
* As of January 2, 2008						

Risk Managed Absolute Return Strategies Program Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	7	59	69	90	118	834
Declined/Referred/Failed to Materialize	0	7	1	0	0	243
Deals in Screening	7	58	68	90	118	579
Due Diligence Reviews	7	58	68	90	118	579
Allocations Approved by RMARS Board	0	18	52	66	31	206
New ARD Funds Approved by RMARS Board	0	7	9	8	3	44
Funded Investments (\$ Millions)	\$180	\$783	\$1,809	\$2,499	\$1,069	\$6,889

Corporate Governance Activity Report

Activity	Month	2005	2006	2007	2008 YTD*	Since Inception *
Investment Proposals Entered	1	N/A	N/A	N/A	7	7
Declined/Referred/Failed to Materialize	0	N/A	N/A	N/A	6	6
Deals in Screening	N/A	N/A	N/A	N/A	N/A	N/A
Due Diligence Reviews	9	N/A	N/A	N/A	21	21
* As of April 1, 2008						

Operations/Policy Violations /Activity Reports

Activity Reports (cont.):

Inflation Linked Asset Class Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	1	N/A	N/A	12	67	79
Declined/Referred/Failed to Materialize	1	N/A	N/A	N/A	18	18
Deals in Screening	9	N/A	N/A	N/A	13	13
Due Diligence Reviews	0	N/A	N/A	N/A	1	1

Quarterly Reports

According to policy requirements, the following is summary information extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and full reports are available in the Supplemental Reporting Document.

AIM Program Report:

Portfolio Summary

- As of September 30, 2008, the AIM Program had a total exposure of \$47.9 billion. Total exposure is the current reported value of investments plus the remaining amount of unfunded commitments.
- Since inception, the AIM Program has made contributions of \$39.5 billion, received distributions of \$26.2 billion and has a remaining reported value of \$23.1 billion. Of the \$26.2 billion in distributions, \$14.2 billion represents realized gains, income and dividends.

SUMMARY OF AIM PORTFOLIO SINCE INCEPTION (MARCH 1990) THROUGH SEPTEMBER 30, 2008 (US\$ IN MILLIONS)

	Capital Contributed ⁽³⁾	Distributions		Reported Value ⁽⁵⁾	Investment Multiple
		Return of Capital	Realized Gain ⁽⁴⁾		
Total Active Commitments⁽¹⁾	\$32,989.1	\$7,389.3	\$10,400.2	\$23,139.5	1.2x
Total Exited Commitments⁽²⁾	\$6,542.1	\$4,596.4	\$3,783.9	--	1.3x

⁽¹⁾ An active commitment refers to an investment that has not reached the end of its legal term.

⁽²⁾ An exited commitment is defined as a commitment that has ended in accordance with the terms of the partnership agreement.

⁽³⁾ Includes fees in excess of committed capital.

⁽⁴⁾ Realized gains include interest, dividends, gains and losses distributed by the general partners in addition to interest paid by CalPERS for participation in subsequent closings of certain investments.

⁽⁵⁾ Based on values reported by the general partners as of September 30, 2008.

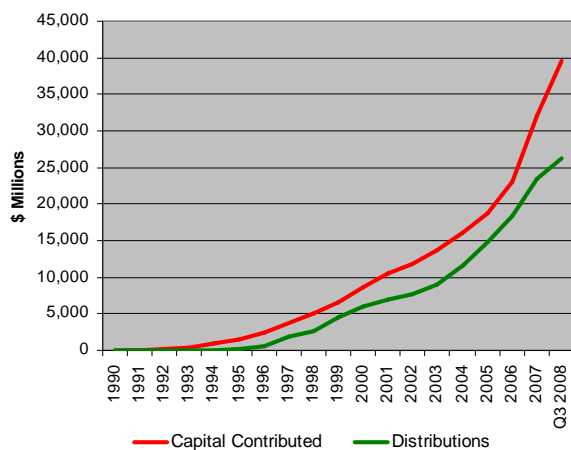
Quarterly Reports

AIM Program Report (cont.):

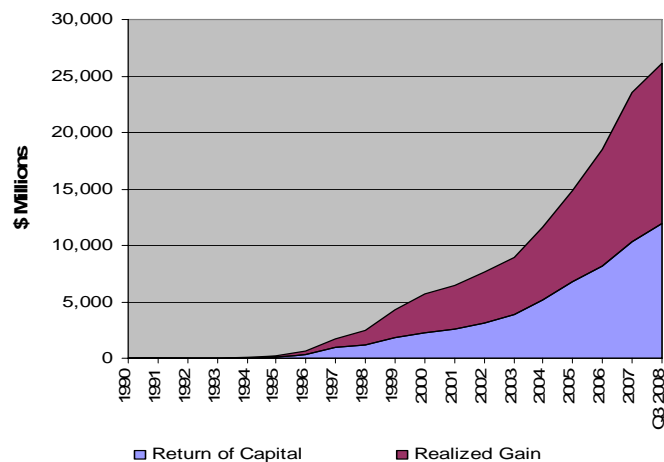
Performance

- Since inception to September 30, 2008, the AIM Program generated a net IRR of 10.8%. At September 30, 2008, the public market ten-year rolling average return for the CalPERS' Custom Wilshire 2500 Index plus 300 basis points was 8.5%.
- As of September 30, 2008, the weighted average age of all of the current investments in the AIM portfolio was 3.2 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect.
- To address the young age of the partnership portfolio, CalPERS adopted a short-term benchmark, the Venture Economics Custom Young Fund Universe. The benchmark measures performance of the AIM partnerships in the first five years of life against a similarly aged universe of Venture Economics data. As of September 30, 2008, the AIM young fund net internal rate of return ("IRR") was 0.9% which trailed the estimate of the September 30, 2008 Custom Young Fund Universe median return of 1.7% by 80 basis points.

AIM PROGRAM CUMULATIVE
CASH FLOW SINCE INCEPTION



AIM PROGRAM CASH DISTRIBUTIONS
SINCE INCEPTION



Quarterly Reports

AIM Program Report (cont.):

Portfolio Activity

- 2 new commitments were authorized during the third quarter of 2008 for a total of \$600 million.
- During the third quarter of 2008 the AIM Program received 100 proposals for new investment opportunities.
- During the first three quarters of 2008, the AIM Program contributed \$7.4 billion to and received distributions of \$2.6 billion from the underlying portfolio. Of the \$2.6 billion in distributions, \$1.0 billion represents income and realized gains.

Quarterly Reports

Proxy Voting Report:

On a quarterly basis, staff provides a report on CalPERS' proxy voting results to the Investment Committee. This supplemental item provides detailed results on CalPERS' proxy votes for the period October 1, 2008 to December 31, 2008. Staff is delegated the authority and responsibility to execute all proxies and voting instructions in a manner that is consistent with the Board's Global Proxy Voting Principles.

Table 1 below provides a summary of CalPERS' internal proxy voting results for the period. Staff continues to update this table to provide the Committee with a 5-quarter rolling analysis of CalPERS' proxy voting results.

Table 1: Summary of CalPERS proxy voting results

Period	Approximate Number of Meetings Voted	Approximate Number of Individual Items Voted	Number of Shareowner Proposals Voted	Percent of Shareowner Proposals Supported
10/01/08 to 12/31/08	1,437	9,086	37	60%
07/01/08 to 09/30/08	1,308	8,819	35	64%
04/01/08 to 06/30/08	5,797	53,917	743	72%
01/01/08 to 03/31/08	1,042	6,695	46	67%
10/01/07 to 12/31/07	1,164	6,981	38	81%

Source: Glass Lewis ([Viewpoint](#))

In addition to the previous summary, we have prepared detailed reports of CalPERS' proxy votes cast during the period October 1, 2008 to December 31, 2008 as attachments for this item. Although the attachments are not included in the agenda materials due to their size, they may be requested through the Investment Committee Secretary.

Quarterly Reports

Proxy Voting Report (cont.):

1) Executive Compensation:

CalPERS voted **AGAINST** the following executive compensation plans (Table 2):

Table 2: Votes AGAINST executive compensation plans

Company	Meeting	Reason
Northfield Laboratories Inc.	10/1/08	CalPERS believes equity grants should have minimum vesting periods of at least 3 years.
Zhone Technologies Inc.	10/15/08	The plan contains an evergreen provision.
Action Products International Inc.	11/11/08	The plan allows for reload stock options and equity grants should have minimum vesting periods of at least 3 years.
Cumulus Media Inc.	11/19/08	The plan allows for the repricing of stock options.
IDT Corp.	12/16/08	CalPERS believes the plan is too costly when compared to its peers.

2) Shareowner proposals:

CalPERS voted **FOR** of the following shareowner proposals (Table 3):

Table 3: Votes FOR of shareowner proposals

Company	Meeting	Proposal	Reason
Kansas City Southern	10/7/08	Regarding Performance-Based Pay	CalPERS is a firm supporter of pay for performance.
Cintas Corp.	10/13/08	Advisory Vote on Executive Compensation	CalPERS believes an advisory vote on executive compensation will benefit shareowners and the company.
Texas Industries Inc.	10/20/08	Request Regarding Sustainability Reporting	CalPERS believes the proposal poses no long-term harm to the company.
Sysco Corp.	11/18/08	Declassify the Board of Directors	CalPERS believes every director should be elected annually.
United Natural Foods Inc.	12/12/08	Report on Human Rights Standards	CalPERS recommends that corporations adopt maximum progressive practices toward the elimination of human rights violations in all countries or environments in which the Company operates.

Quarterly Reports

Proxy Voting Report (cont.):

CalPERS voted **AGAINST** the following shareowner proposals (Table 4):

Table 4: Votes AGAINST shareowner proposals

Company	Meeting	Proposal	Reason
Jefferson Bancshares	10/30/08	Proposal to Sell the Company	CalPERS believes management and the board are best suited to make these types of business decisions.
Sun Microsystems Inc.	11/5/08	Regarding the Formation of a Board Committee on Human Rights	CalPERS is a firm supporter of the protection of Human Rights. However, we believe the board is best suited to make the determination whether or not to develop committees other than those required by law.

3) Website votes:

The following is a sample of Website votes cast during the quarter (Table 5):

Table 5: Website votes cast

Company/Date	Issue	Vote	Reason
Oracle Corp. 10/9/08	Advisory Vote on Executive Compensation	For	CalPERS believes an advisory vote on executive compensation will benefit shareowners and the company.
Sara Lee Corp. 10/30/08	Director Election	Against	Withhold from director nominee nominee V. Colbert for failing to attend at least 75% of the meetings of the board.
Cardinal Health Inc. 11/5/08	Proposal on Pay for Performance	For	CalPERS is a firm supporter of pay for performance.
Microsoft Corp.	Proposal Regarding Charitable Contributions	For	CalPERS believes the proposal does not pose long-term harm to the company.

Quarterly Reports

Proxy Voting Report (cont.):

4) International Proxy Voting:

A sample of International votes cast **AGAINST** management during the quarter (Table 6):

Table 6: International AGAINST votes cast

Company	Country	Issue	Reason
Eaga PLC 10/16/08	United Kingdom	Elect Directors	Withhold from nominee John Clough. The compensation committee should be composed of a majority of independent directors.
Mcbride PLC 10/27/08	United Kingdom	Stock Option Plan	Stock options should vest over a period of three years.
Ashmore Group 12/15/08	Denmark	Appoint Auditor	CalPERS believes services for non-audit related fees are excessive.

5) Mergers & Acquisitions:

A sample of votes for mergers and acquisitions during the quarter (Table 7):

Table 7: Votes cast for mergers acquisitions

Target	Acquirer	Date	Vote	Rationale
National City	PNC Financial	12/23/08	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.
Wachovia	Wells Fargo	12/23/08	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.

Quarterly Reports

Corporate Governance Co-Investment Program Performance Review Report:

Summary

This agenda item addresses the performance of the Corporate Governance Co-Investment Program (the Program). The Program manages \$546 million of assets as of December 31, 2008. The objectives of the Program are:

- Produce a positive alpha through the generation of superior investment returns with co-investment opportunities.
- Identify new co-investment opportunities to take advantage of innovative and sustainable investment strategies.

The portfolio managed within the Program tends to be very concentrated with few holdings, and has a very deep “value” style bias. The portfolio positions taken are limited to those situations where the external partners believe an engagement process can affect positive investment returns.

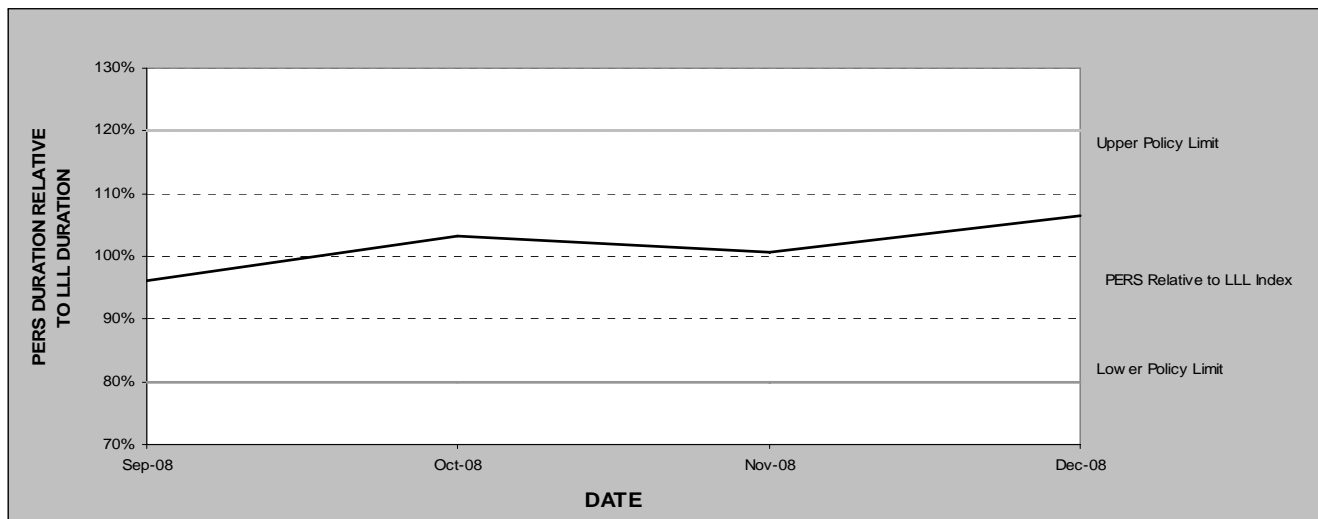
Performance

There are five positions in the Corporate Governance Co-Investment Program’s portfolio. The long-term performance results relative to the benchmark are excellent where the 1-year and since inception numbers demonstrate positive value added of 13.59% and 11.81% respectively.

Quarterly Reports

Internally Managed Domestic Fixed Income Report:

I. Interest Rate Risk



II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LONG LIABILITY	3/31/08 PERS	6/30/08 PERS	9/30/08 PERS	12/31/08 PERS
Government	0-50	40	21	18	19	25
Mortgages	10-60	30	42	43	44	34
Sovereigns	0-15	3	2	2	2	2
Investment Grade Corporates	10-60	24	31	31	29	34
Opportunistic ¹	0-19	3	4	6	6	5

¹ High Yield

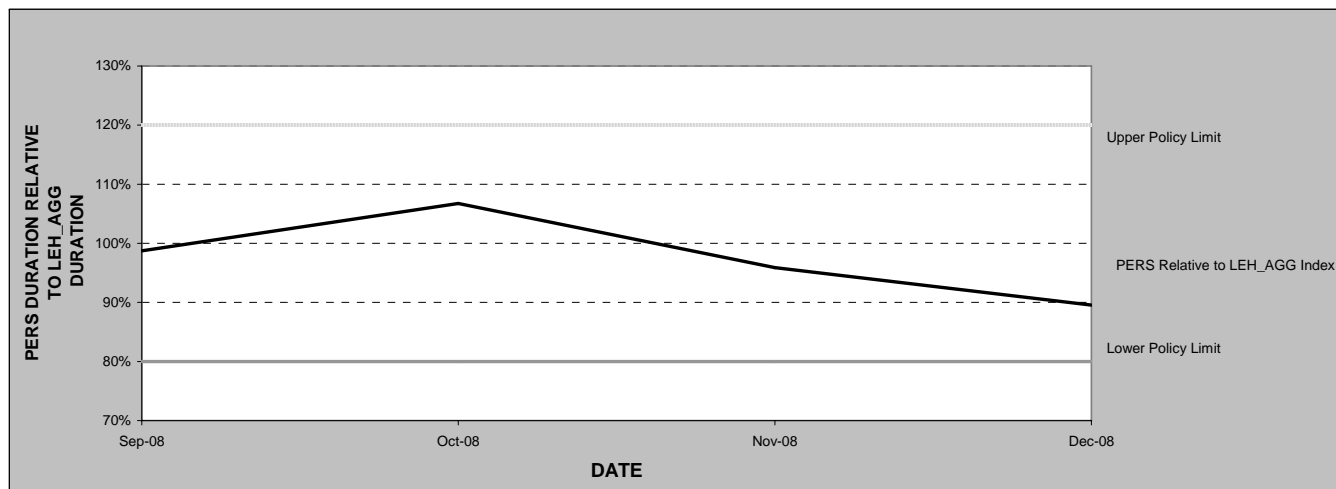
III. Violations to Policy:

None

Quarterly Reports

Internally Managed Lehman Aggregate Fixed Income Report:

I. Interest Rate Risk



II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LEHMAN AGGREGATE	3/31/08 PERS	6/30/08 PERS	9/30/08 PERS	12/31/08 PERS
US Treasury & Govt. Sponsored	0-80	32	21	21	23	26
Securitized	0-70	45	52	52	52	49
Corporates	10-50	23	27	27	25	25
Opportunistic	0-20	0	0	0	0	0

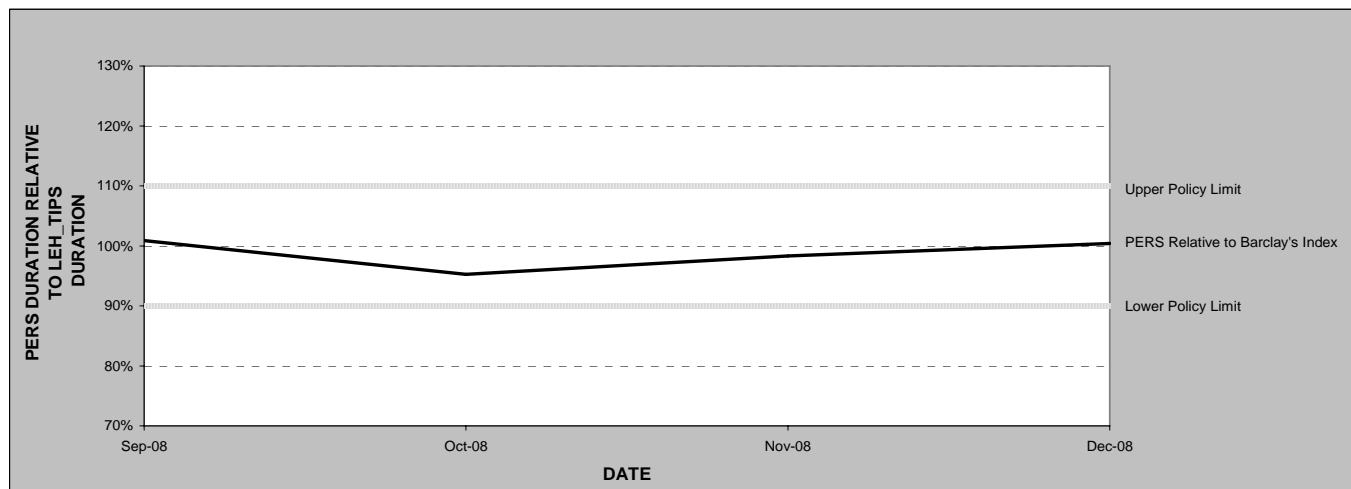
III. Violations to Policy:

None

Quarterly Reports

Internally Managed Treasury Inflation Protected Securities Fixed Income Report:

I. Interest Rate Risk



II. Sector Risk

SECTOR	PERMISSIBLE RANGE	BARCLAYS CAPITAL GLOBAL REAL U.S. TIPS INDEX	3/31/08	6/30/08	9/30/08	12/31/08
			PERS	PERS	PERS	PERS
TIPS	80-100	100	99	98	100	100
Nominal US Treasury	0-15	0	0	0	0	0
STIF	0-5	0	1	2	0	0

III. Violations to Policy:

None

Quarterly Reports

Low Duration Fixed Income Funds (High Quality Libor) Report:

Interest Rate Risk

The policy states that duration of the portfolio shall not exceed 90 days. The portfolio duration of the High Quality LIBOR Fund was 11 days.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
STIF Funds	100%	1.08%
AAA Floating Rate Structured Securities	100	98.92
AAA Fixed Rate Structured Securities	20	0.00
Money Market Securities (\geq A1/P1)	100	0.00
Money Market Securities ($<$ A1/P1)	25	0.00
High Quality Libor Fund		<u>100.0%</u>
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	100.00%
Total Split Rated or A2/P2 money market securities ($>$ 1 day maturity)	25	0.00
High Quality Libor Fund		<u>100.0%</u>
<u>Other Restriction</u>		
Total Fixed Rate Exposure ($>$ 35 day maturity)	20%	0.00%

III. Violations To Policy

None

Quarterly Reports

Low Duration Fixed Income Funds (Short Duration) Report:

I. Interest Rate Risk

The policy states that duration of the portfolio shall not exceed 180 days. The portfolio duration of the Short Duration Fund was 4 days.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	1.58%
AAA Structured Securities	100	48.95
Non AAA Structured Securities	50	19.17
ABL Line Item	100	30.30
Money Market Securities (\geq A1/P1)	100	0.00
Money Market Securities ($<$ A1/P1)	25	0.00
Total Corporate Securities	50	0.00
Short Duration Fund		100.0%

Credit Quality

Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	50.53%
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	49.47
Short Duration Fund		100.0%

Other Restriction

Total Fixed Rate Exposure ($>$ 35 day maturity)	35%	0.00%
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Quarterly Reports

Low Duration Fixed Income Funds (Short Duration) Report (cont.):

III. Violations To Policy

As previously noted in the Q3 2008 report, S&P downgraded CWL 2006-S5 A1 to a "BB" from a "BBB". The downgrade was due primarily to its monoline insurer, FGIC, being downgraded. This triggered violation of the following issue: "Structured Securities must be \geq Baa2/BBB. Staff reviewed the security and recommended holding the bond for several reasons.

The CWL 06-S5 A1 bond is the first tranche of a sequential pay structure. The underlying collateral is 2nd lien for prime borrower.

In addition to FGIC as a bond level wrapper, this deal also has Old Republic as a pool policy insurer up to 8% of the pool balance. Old Republic holds A2 senior debt rating and Aa2 insurance financial strength rating (Moody's credit opinion 7/2/08, updated 1/6/09). This provides an extra layer of protection

Currently, this bond is at 0.199810287 factor and we own 5.99mm current face. The three-month average voluntary CPR, CDR, and severity are 6.37%, 3.31%, and 60.17% respectively (22.11% of the remaining collateral defaulting). Under this scenario, the bond will pay off by July of 2010.

The bond was reported to have traded in the low 70s from a bid list last week. Even if we were to assume both the MI provider and wrapper (FGIC) were insolvent, thus resulting in a 100% severity, the bond would suffer only 1.07% writedown with a principal payment window out to June of 2010. Under more stressful scenarios where voluntary CPR slows to 5% and CDR increases to 5% (33.16% defaulting) with a 100% severity, the writedown would be 2.59% with a principal payment window out to September of 2010. The writedown would be 6.48% if CDR would increase to 10% (53% defaulting), with the final principal payment coming in October of 2010. Therefore, staff believes liquidating at prices below \$93 would not be prudent.

Quarterly Reports

Low Duration Fixed Income Funds (Short Term) Report:

I. Interest Rate Risk

The weighted-average days to maturity of the Short-Term Fund was 1 day.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	100.00%
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	0.0
Asset-Backed Securities	25	0.0
Total Short-Term Fund		100.0%

Credit Quality

Securities rated A1/P1 or higher	100%	100.00%
Total Split Rated and A2/P2	30	0.00
Total Short-Term Fund		100.0%

Other Restriction

Total Floating Rate Exposure	50%	0.0%
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III. Violations To Policy

None

Quarterly Reports

Public Records Act Requests Report:

Request Date	Requester	Subject	Response
11/13/08	Media	Investment-related	Response in progress.
12/09/08	Business	Request for information regarding: <ul style="list-style-type: none">• AON Corporation• Owens Corning	Response in progress.

Real Estate Report:

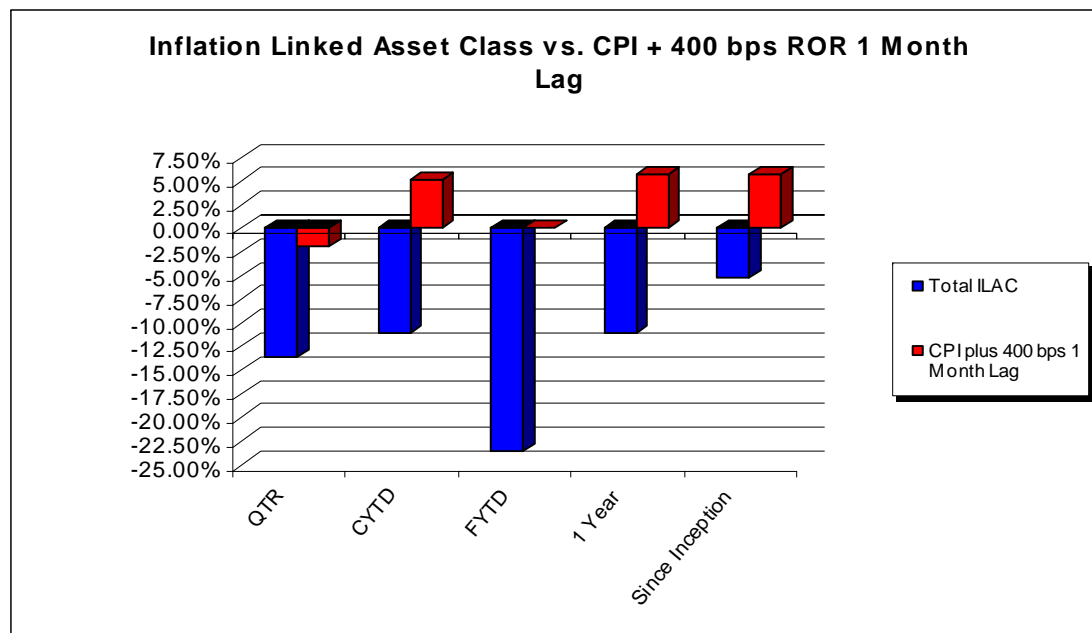
- **Total Portfolio Performance** – The one-year (as of September 30, 2008) total return for the Total Real Estate Portfolio was -16.5 percent before fees and -17.6 percent after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 10.0 percent as of September 30, 2008, with the income component generating a 6.4 percent return and the appreciation component generating a 3.6 percent return.
- **Core Portfolio Performance** – The one-year (as of September 30, 2008) total return for the Core Portfolio was 5.5 percent before fees and 4.9 percent after fees. The nominal after fee total return (since inception) for the Core Portfolio was 10.9 percent as of September 30, 2008, with the income component generating a 7.3 percent return and the appreciation component generating a 3.6 percent return. The total before fee returns for the Office sector, which reflect the September 30, 2008 valuations, were -15.5 percent for the current quarter and -12.7 percent for the one-year as compared to the NCREIF Office Sector which reported a -0.3 percent current quarter return and a 6.1 percent one-year return.
- **Non-Core Portfolio Performance** – The one-year (as of September 30, 2008) total return for the Non-Core Portfolio was -34.4 percent before fees and -35.7 percent after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 8.7 percent as of September 30, 2008, with the income component generating a 3.7 percent return and the appreciation component generating a 5.0 percent return. The Housing Program generated a -17.5 percent before fee return for the current quarter and a -104.6 percent before fee return for the one-year period. In addition, the REIT Composite generated a -13.3 percent before fee return for the current quarter and a -34.0 percent before fee return for the one-year period. The Timberland sector was transferred into the Inflation Linked Asset Class in the 4th Quarter 2007. The Non-core portfolio includes historical Timberland returns prior to the 4th Quarter 2007, but not thereafter.
- **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for the five year, ten year and since inception periods. In addition, the Core Portfolio outperformed the Index for all periods except the current quarter. The Non-Core Portfolio outperformed the Index for the since inception period. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5 percent for the Core Portfolio and exceed 5 percent for the Non-Core Portfolio. The Core has exceeded the 5 percent real rate of return benchmark for all periods except the one year. The Non-Core exceeded the benchmark for the since inception period. The Total Portfolio exceeded the benchmark for all periods except the one year and 3 year periods.

Quarterly Reports

Inflation Linked Assets Report:

Total Asset Class Performance Review

ILAC generated a Total Return of -13.55% for the quarter ended December 31, 2008. ILAC's return under performed its policy benchmark by 1,159 basis points. The returns shown in the chart below are not annualized.



Portfolio Performance Review

The Infrastructure and Forestland partners and Commodities portfolio's quarterly returns outperformed their respective benchmarks by 187 basis points, 156 basis points and by 104 basis points for the quarter. The Inflation Linked Bonds portfolio quarterly return underperformed its respected benchmark by 10 basis points for the quarter.

Investment Transactions

Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

Portfolio Summary and Transactions Report:

- Purchases (Page 33)
- Sales (Page 34)
- Currency Hedge Portfolio Summary (Page 35)
- Currency Hedge Portfolio Transactions (Page 35)

Investment Transaction Information: (full reporting is available in the supplemental reporting document)

- Domestic Fixed Income Transactions
- International Fixed Income Transactions
- Domestic Equity Transactions
- International Equity Transactions
- Real Estate Investment Trust (REIT) Transactions
- AIM Program Transactions
 - Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - Khosla Ventures Expansion Fund, \$200 million commitment
- Real Estate Equity Transactions
 - Dispositions Summaries
 - No items to report
 - Acquisitions Summaries
 - No items to report
- Real Estate Opportunistic Investments
 - Investment Summaries
 - No items to report
- Real Estate Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - No Items to Report
- Risk Managed Absolute Return Strategies Program Transactions
 - Summary Listing of Investments and Redemptions
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - No Items to Report

Investment Transactions

Investment Transaction Information (continued): [\(full reporting is available in the supplemental reporting document\)](#)

- Inflation Linked Assets Transactions
 - Summary Listing of Investments and Redemptions
- Inflation Linked Assets Items Completed Under Delegation of Authority
 - Investment Summaries
 - No Items to Report
- Corporate Governance Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - No Items to Report
- Internally Managed Derivative Transactions Summary
 - Investment Summaries
 - Futures purchases: \$808.2 million notional
 - Futures sales: \$61.5 million notional

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

November 2008

PURCHASES

	<u>COST</u>	<u>%OF PURCHASES</u>
<u>EQUITIES:</u>		
Domestic	\$1,322.1	18.05%
International	<u>\$1,147.2</u>	<u>15.66%</u>
Total	\$2,469.3	33.71%
<u>FIXED INCOME:</u>		
Domestic	\$2,942.9	40.18%
International	<u>\$1,060.6</u>	<u>14.48%</u>
Total	\$4,003.5	54.66%
<u>ALTERNATIVE INVESTMENTS:</u>		
Partnership Component	\$554.7	7.57%
<u>REAL ESTATE:</u>		
Real Estate Equity	\$8.7	0.12%
<u>INFLATION LINKED ASSETS:</u>		
Inflation Linked	\$288.5	3.94%
TOTAL PURCHASES:	<u><u>\$7,324.7</u></u>	<u><u>100%</u></u>

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

November 2008

SALES

	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<u>EQUITIES:</u>			
Domestic	\$1,769.0	\$1,549.1	(\$219.9)
International	<u>\$1,638.4</u>	<u>\$968.8</u>	<u>(\$669.6)</u>
Total	\$3,407.4	\$2,517.9	(889.5)
<u>FIXED INCOME:</u>			
Domestic	\$3,161.2	\$3,113.7	(\$47.5)
International	<u>\$1,421.3</u>	<u>\$1,391.6</u>	<u>(\$29.7)</u>
Total	\$4,582.5	\$4,505.3	(\$77.2)
<u>ALTERNATIVE INVESTMENTS:</u>			
Partnership Component	\$4.7	\$4.7	\$0.0
<u>REAL ESTATE:</u>			
Real Estate Equity	\$7.5	\$3.9	(\$3.6)
<u>INFLATION LINKED ASSETS:</u>			
Inflation Linked	\$292.5	\$287.4	(\$5.1)
TOTAL SALES:	<u><u>\$6,656.2</u></u>	<u><u>\$6,350.4</u></u>	<u><u>(\$305.8)</u></u>

Portfolio Summary and Transactions

CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

November 2008

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$9,986.6	\$9,517.9
Total FX Sold	\$15,207.0	\$14,709.6

CURRENCY OPTIONS

Currency Puts	\$37.5	\$37.5
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

November 2008

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$7,120.6
<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$6,788.6

Affiliate Funds Reports

State Street Bank has compiled the following Affiliate Funds Performance Reports for the periods ending October 31, 2008. [\(full reporting is available in the supplemental reporting document\)](#)

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending December 31, 2008

Affiliate Funds Monthly Performance Summary - Plan Comparison

RATES OF RETURN - Gross

	MKT VAL \$(000)	Month	QTR	FYTD	CYTD	1 YR	3 YRS	5 YRS	10 YRS
ANNUITANTS HEALTH CARE COVERAGE FUND	584,028	5.30	-18.29	-26.41	-30.67	-30.67			
<i>ANNUITANTS POLICY BENCHMARK(MONTHLY)</i>		5.39	-18.09	-25.89	-31.25	-31.25			
CALPERS HEALTH CARE BOND FUND	374,781	3.38	2.16	0.08	0.45	0.45			
<i>BC AGGREGATE (DAILY)</i>		3.73	4.58	4.07	5.24	5.24			
JUDGE'S RETIREMENT FUND	2,712	0.00	0.30	0.93	2.50	2.50	4.27	3.44	3.61
<i>91 DAY TREASURY BILL (DAILY)</i>		0.01	0.22	0.85	2.06	2.06	3.96	3.25	3.45
JUDGES II FUND	266,229	5.78	-14.47	-22.07	-26.63	-26.63	-3.79	1.02	1.93
<i>CAL JUDGES II POLICY INDEX (DAILY)</i>		5.60	-14.06	-20.36	-25.14	-25.14	-3.07	1.29	2.14
LEGISLATOR'S RETIREMENT FUND	111,189	5.45	-6.87	-14.21	-17.61	-17.61	-1.02	1.95	3.31
<i>CAL LRS POLICY INDEX (DAILY)</i>		4.66	-6.56	-12.03	-15.24	-15.24	-0.18	2.73	3.80
LONG TERM CARE FUND	1,907,479	5.49	-12.97	-21.02	-25.03	-25.03	-3.23	1.15	1.94
<i>CAL LTC POLICY INDEX (DAILY)</i>		5.11	-13.20	-20.00	-23.98	-23.98	-2.86	1.18	2.04
CONTINGENCY RESERVE FUND	6,050	0.00	0.30	0.93	2.50	2.50	4.28	3.45	3.62
<i>91 DAY TREASURY BILL (DAILY)</i>		0.01	0.22	0.85	2.06	2.06	3.96	3.25	3.45
SUPPLEMENTAL CONTRIBUTION FUND	14,031	3.80	-14.42	-22.94	-29.35	-29.35	-4.42	0.71	
<i>SUPPLEMENTAL POLICY BENCHMARK</i>		3.51	-14.45	-22.26	-28.43	-28.43	-4.20	0.58	

Affiliate Funds Reports

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending December 31, 2008

Affiliate Funds Monthly Performance Summary - Plan Comparison

RATES OF RETURN - Net

	MKT VAL \$(000)	Month	QTR	FYTD	CYTD	1 YR	3 YRS	5 YRS	10 YRS
ANNUITANTS HEALTH CARE COVERAGE FUND	584,028	5.30	-18.29	-26.41	-30.67	-30.67			
<i>ANNUITANTS POLICY BENCHMARK(MONTHLY)</i>		5.39	-18.09	-25.89	-31.25	-31.25			
CALPERS HEALTH CARE BOND FUND	374,781	3.38	2.16	0.08	0.45	0.45			
<i>BC AGGREGATE (DAILY)</i>		3.73	4.58	4.07	5.24	5.24			
JUDGE'S RETIREMENT FUND	2,712	0.00	0.30	0.93	2.50	2.50	4.27	3.44	3.61
<i>91 DAY TREASURY BILL (DAILY)</i>		0.01	0.22	0.85	2.06	2.06	3.96	3.25	3.45
JUDGES II FUND	266,229	5.78	-14.47	-22.07	-26.63	-26.63	-3.79	1.02	1.93
<i>CAL JUDGES II POLICY INDEX (DAILY)</i>		5.60	-14.06	-20.36	-25.14	-25.14	-3.07	1.29	2.14
LEGISLATOR'S RETIREMENT FUND	111,189	5.45	-6.87	-14.21	-17.61	-17.61	-1.02	1.95	3.31
<i>CAL LRS POLICY INDEX (DAILY)</i>		4.66	-6.56	-12.03	-15.24	-15.24	-0.18	2.73	3.80
LONG TERM CARE FUND	1,907,479	5.49	-12.97	-21.02	-25.03	-25.03	-3.23	1.15	1.94
<i>CAL LTC POLICY INDEX (DAILY)</i>		5.11	-13.20	-20.00	-23.98	-23.98	-2.86	1.18	2.04
CONTINGENCY RESERVE FUND	6,050	0.00	0.30	0.93	2.50	2.50	4.28	3.45	3.62
<i>91 DAY TREASURY BILL (DAILY)</i>		0.01	0.22	0.85	2.06	2.06	3.96	3.25	3.45
SUPPLEMENTAL CONTRIBUTION FUND	14,031	3.75	-14.54	-23.07	-29.62	-29.62	-4.77	0.35	
<i>SUPPLEMENTAL POLICY BENCHMARK</i>		3.51	-14.45	-22.26	-28.43	-28.43	-4.20	0.58	